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SUBJECT: PROPOSED VENEZUELA-BRAZIL-ARGENTINA GAS PIPELINE TRAVERSES
THE AMAZON AND RAISES ENVIRONMENTAL CONCERNS

REF: RIO DE JANIERO 0056

¶1. Summary: In a South-to-South economic integration move, the leaders of Venezuela, Argentina and Brazil announced a plan to build an 8000km pipeline to ferry gas throughout South America. The proposed pipeline dubbed the "Great Southern Gas Pipeline" would be the longest in the world and, according to estimates released by the Presidents, cost US\$ 18-25 billion. The pipeline, though only an idea at the moment, has environmentalists extremely worried as the proposed route would run directly through the Amazon Basin. The project would face lofty environmental licensing hurdles in Brazil.
End Summary

¶2. According to preliminary proposals outlined in the press, the pipeline would begin in Puerto Ordaz, Venezuela, extend the length of Brazil and terminate in Buenos Aires, Argentina. Lula, Chavez and Kirchner have promised additional details by March 10 when the three plan to meet again in Argentina and a detailed plan by July ¶2006. While there are a variety of economic and political considerations that will determine the outcome of this vision, various environmental and other NGO groups point to potentially grave environmental concerns for Brazil.

¶3. These groups have told us that since the pipeline would burrow directly through the Amazon forest that, in addition to the technical challenges involved, the project will carry severe environmental costs, including increased pollution, harm to indigenous populations and a loss of vegetation. Moreover, new roads would be especially damaging, allowing loggers, ranchers and miners into previously inaccessible areas. Glenn Switkes of the International Rivers Network said that, "if the pipeline were ever built, it would inevitably foul the environment... There are a lot of issues involved: direct construction, the question of drainage, all the roads that need to be built." Conversely, Roberto Smeraldi of the Friends of the Earth Brazil foundation conjectures that, "the pipeline theoretically could be built with minimal effect on the environment but the cost would be prohibitive." Industry experts have reported to the press that just the technological challenges of building through the Amazon could increase the project's price to US \$40 billion.

14. In Brazil, the project's greatest obstacle could be the country's strict environmental licensing requirement, executed through Ibama (Brazil's environmental protection agency). Historically, development projects in the region have bogged down in minutiae over environmental impacts. The licensing process incorporates three stages and involves obtaining a preliminary license, a work license and an operating license, each involving public hearings and environmental impact assessments (EIA). According to Roberto Smeraldi, "a government like Brazil's can't do similar studies for projects covering 310 miles after 10 years of discussion, and now they are going to manage in-depth studies for a (5000 mile) project in six months?" Smeraldi is referencing plans to build a gas pipeline from Urucu, in the central Amazon, to Porto Velho. Another proposal to pave a trans-Amazon road has taken five years. Ibama, for its part, is refusing to make a comment on the projects viability "until there is a request for licensing."

15. Comment: It is necessary to keep in mind that the project is, at present, a nascent idea. From an economic standpoint, Brazil would be well-served to diversify its natural gas supply at a time of surging energy demands. However, Brazil's Petrobras has already committed to developing its own offshore gas reserves, and the two efforts would likely compete for both capital and market share. Development of Brazil's offshore hydrocarbon reserves, however, is already a mature enterprise, which suggests it will have the upper hand in this competition for financing. From an environmental perspective, it is difficult to appraise potential consequences, prior to seeing detailed plans. But, it is certain that any endeavor which opens remote tracts of forest to industrial processes carries with it a serious risk for loss of biodiversity. End Comment

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